

**CITY OF TONKAWA, OKLAHOMA
TONKAWA, OKLAHOMA**

**FINANCIAL STATEMENTS AND
AUDITOR'S REPORTS**

**FOR THE YEAR ENDED
JUNE 30, 2022**

CITY OF TONKAWA, OKLAHOMA
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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Tonkawa, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tonkawa, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Tonkawa, Oklahoma's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tonkawa, Oklahoma, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Tonkawa, Oklahoma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Tonkawa, Oklahoma's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Tonkawa, Oklahoma’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Tonkawa, Oklahoma’s ability to continue as a going concern for a reasonable period of time.

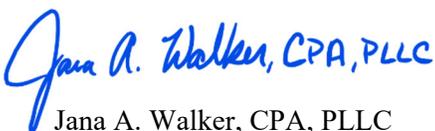
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and net pension schedules on pages 3–10 and 36–40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2022, on our consideration of the City of Tonkawa, Oklahoma’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Tonkawa, Oklahoma’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Tonkawa, Oklahoma’s internal control over financial reporting and compliance.



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
December 29, 2022

Within this section, the City of Tonkawa's ("City") management provides narrative discussion and analysis of the financial performance of the City's for the fiscal year ended June 30, 2022. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL SUMMARY

- At June 30, 2022, the assets of the City exceeded its liabilities by \$20,070,210 (net position). Of this amount \$3,728,732 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. This compares favorably to the previous year when assets and deferred outflows exceeded liabilities and deferred inflows by \$17,667,333.
- The City's total net position are comprised of the following:
 - (1) Invested in capital assets, net of related debt of \$7,544,434 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
 - (2) Restricted net position of \$8,797,044. This balance noted a significant increase over prior year due to proceeds from the issuance of debt during the fiscal year as well as a reclass of the Council committed funds related to capital improvement for Water, Wastewater, Streets, and Drainage.
 - (3) Unrestricted net position of \$3,728,732 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total liabilities of the City were \$9,248,325. During the fiscal year, the City reduced outstanding note and bond obligations by \$514,264. Additionally, the City's pension obligation decreased over \$797 thousand dollars based upon the actuarial valuation performed by a third-party.
- Net position of governmental activities increased \$120,396 or 3%. The net position of business-type activities decreased \$246,610 or 2%. Overall, the health of the City improved when compared to prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status and are presented to demonstrate the extent the City has met its operating objective efficiently and effectively using all the resources available and whether the City can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year and can be used to assess the City's operating results in its

entirety and analyze how the City's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services, including electricity, water, and sanitation, provided by the City.

The City's financial reporting entity includes the funds of the City (primary government) and organization for which the City is accountable (component units). The Tonkawa Development Authority is a separate legal entity which operates independently and provides services directly to the citizens though the City remains accountable for their actions. As such, the Tonkawa Development Authority is reported as part of the primary government and included in the City's overall reporting entity. More comprehensive information about the City's component units can be found in footnotes.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for governmental funds deemed as major. This statement demonstrates compliance with the City's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as water, sanitation, and electric utilities.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain *Required Supplementary Information* concerning the City's compliance with the approved and revised budget for major governmental funds.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City reported positive balances in total net position for both governmental and business-type activities, reporting \$9,390,831 and \$10,679,379, respectively. The City's overall financial position improved 14% between fiscal year 2022 and 2021.

	Summary of Net Position							
	Governmental Activities		Business-type Activities		Total		Change	
	2022	2021	2022	2021	2022	2021	\$	%
Current assets	\$ 4,601,148	\$ 4,369,235	\$ 9,394,704	\$ 9,540,600	\$ 13,995,852	\$ 13,909,835	\$ 86,017	1%
Noncurrent assets	1,015,204	-	71	71	1,015,275	71	1,015,204	100%
Capital assets, net	5,460,303	3,256,793	9,825,557	10,583,830	15,285,860	13,840,623	1,445,237	10%
Total assets	11,076,655	7,626,028	19,220,332	20,124,501	30,296,987	27,750,529	2,546,458	9%
Deferred outflow	652,397	698,761	-	-	652,397	698,761	(46,364)	-7%
Current liabilities	163,507	78,665	727,208	889,791	890,715	968,456	(77,741)	-8%
Non-current liabilities	543,865	1,346,203	7,813,745	8,194,404	8,357,610	9,540,607	(1,182,997)	-12%
Total liabilities	707,372	1,424,868	8,540,953	9,084,195	9,248,325	10,509,063	(1,260,738)	-12%
Deferred inflow	1,630,849	272,894	-	-	1,630,849	272,894	1,357,955	498%
Net investment in capital assets	5,460,303	3,256,793	2,084,131	2,385,104	7,544,434	5,641,897	1,902,537	34%
Restricted	3,590,278	3,276,570	5,206,766	7,676,454	8,797,044	10,953,024	(2,155,980)	-20%
Unrestricted	340,250	93,664	3,388,482	978,748	3,728,732	1,072,412	2,656,320	248%
Net position	9,390,831	6,627,027	10,679,379	11,040,306	20,070,210	17,667,333	2,402,877	14%

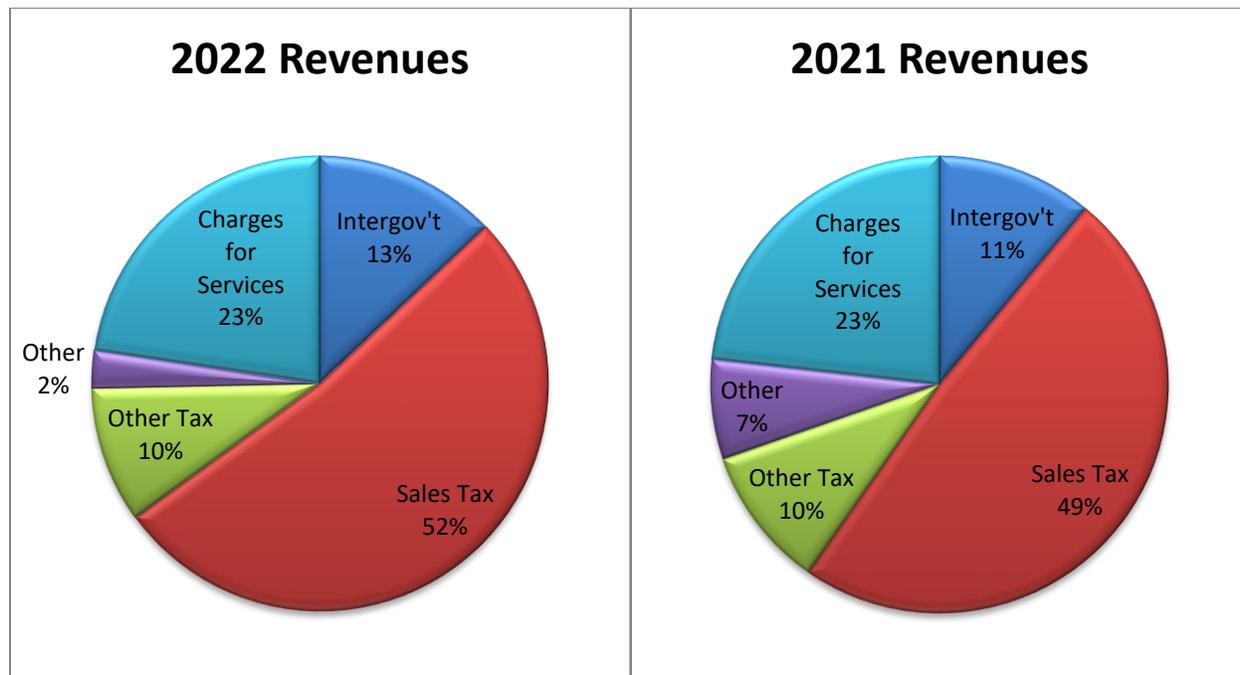
Total assets of the City increased 9% when compared to prior year mainly in current assets. The increase in current assets is related to an increase in the pension assets of the City. Pension assets/liabilities are subject to an annual valuation by a third-party actuary. The calculated asset or liability for each of the three plans offered by the City are then recorded in the financial statements of the City. Furthermore, the City used proceeds from debt issued in fiscal year 2021 to construct assets, including work on an aquatic center. This increased capital assets by over \$1.4 million or 10%. Liabilities noted a decrease of 12% or \$1,260,738. During the year payments were made on outstanding obligations in accordance with scheduled terms, as well as payments made on obligations due to vendors. Additionally, pension liability decreased as noted above. Overall, the City's net position improved when compared to prior year.

	Summary of Changes in Net Position						\$ Change	% Change
	Governmental		Business-type		Total			
	2022	2021	2022	2021	2022	2021		
Revenues								
Program revenues	\$ 1,349,538	\$ 1,202,020	\$ 6,490,165	\$ 5,511,313	\$ 7,839,703	\$ 6,713,333	\$1,126,370	17%
Taxes and other general revenues	2,702,743	2,181,122	286,681	93,276	2,989,424	2,274,398	715,026	31%
Total revenues	4,052,281	3,383,142	6,776,846	5,604,589	10,829,127	8,987,731	1,841,396	20%
Expenses								
General government	501,746	408,721	-	-	501,746	408,721	93,025	23%
Public safety and judiciary	2,116,377	1,941,211	-	-	2,116,377	1,941,211	175,166	9%
Transportation	178,183	208,189	-	-	178,183	208,189	(30,006)	-14%
Cultural, parks, and recreation	432,925	349,178	-	-	432,925	349,178	83,747	24%
Economic development	-	-	43,149	35,181	43,149	35,181	7,968	23%
Electric	-	-	3,430,951	2,752,694	3,430,951	2,752,694	678,257	25%
Water	-	-	718,383	823,700	718,383	823,700	(105,317)	-13%
Sewer	-	-	286,413	263,056	286,413	263,056	23,357	9%
Sanitation	-	-	286,617	186,300	286,617	186,300	100,317	54%
Natural gas	-	-	151,422	124,620	151,422	124,620	26,802	22%
Customer service	-	-	210,007	230,168	210,007	230,168	(20,161)	-9%
Total expenses	3,229,231	2,907,299	5,126,942	4,415,719	8,356,173	7,323,018	1,033,155	14%
Excess (deficiency) before transfers	\$ 823,050	\$ 475,843	\$ 1,649,904	\$ 1,188,870	\$ 2,472,954	\$ 1,664,713	\$ 808,241	49%
Transfers	1,896,514	(21,370)	(1,896,514)	21,370	-	-	-	0%
Increase (decrease) in net position	\$ 2,719,564	\$ 454,473	\$ (246,610)	\$ 1,210,240	\$ 2,472,954	\$ 1,664,713	\$ 808,241	49%

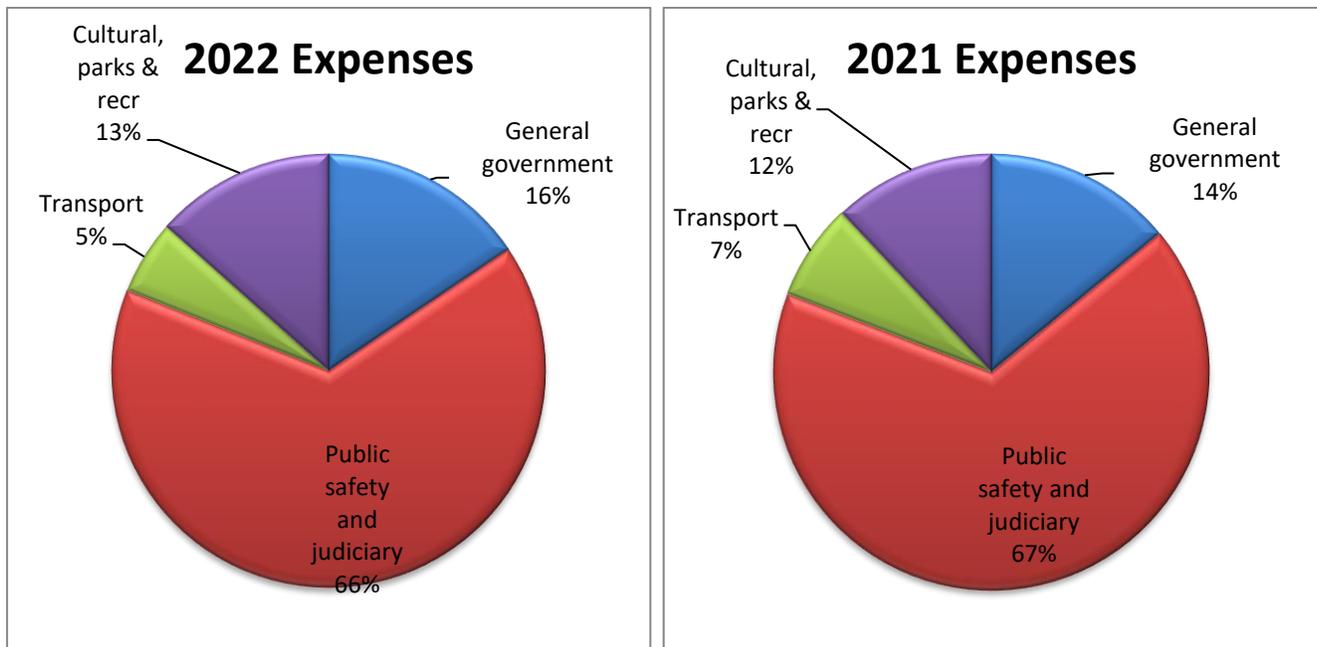
Revenues for the City increased over prior year by 20% or 1.8 million. Governmental activity program revenues increased from prior year, related to the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020. The City received \$249 thousand in CARES funding during the year. Business activity program revenues reported an increase in billing revenues compared to prior year, primarily related to an increase in electric utility billing revenues. Note the electric cost of service also reflected a corresponding increase due to the impact of the winter storm that created massive disruption across the united states.

Operating expenses reported a 14% or \$1,033,155 increase over prior year. Electric expenses increased in line with usage as noted in the revenue increase. Sanitation expenses increased due to depreciation in the system. All other department expenses remained consistent between years.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the City's activities.



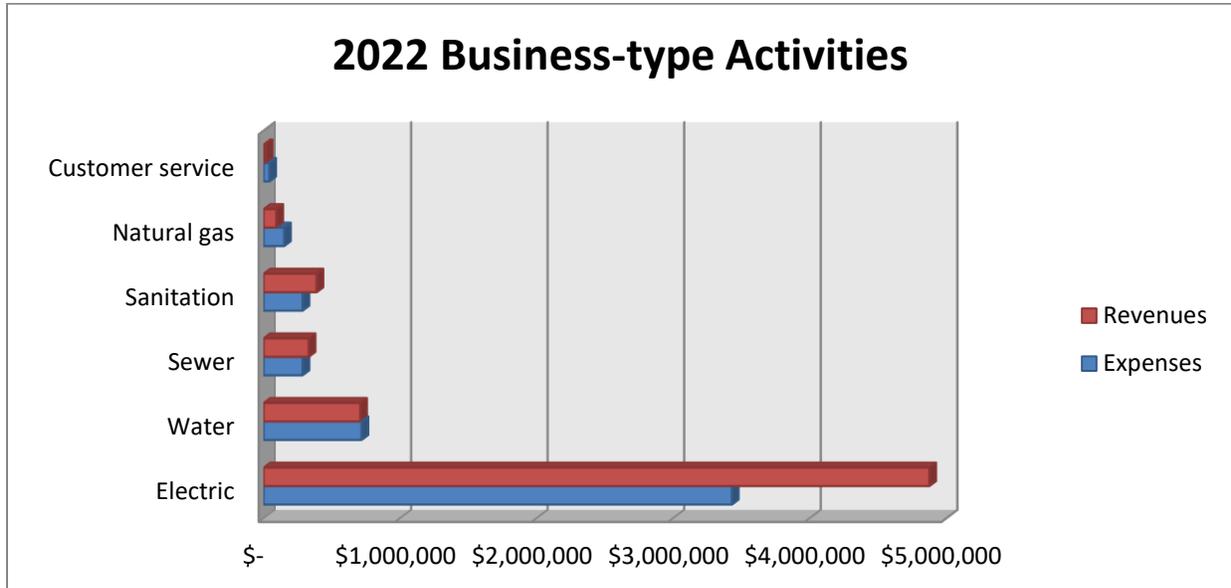
The allocation of revenues remained consistent between fiscal years. Sales tax provided for 52% of the City's governmental revenues in fiscal year 2022 as compared to 49% in 2021. Charges for services provided 23% of revenues for the City, as compared to 23% in prior year which consists mainly of ambulance revenues.



For the year ended June 30, 2022, total expenses for governmental activities were \$3,229,231 compared to \$2,907,299 in fiscal year 2021. Of this amount, public safety and judiciary with \$2,116,377, was the largest operating service department at 66% of the total cost of services for the City government, which is consistent with prior year. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues.

It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated, and capital assets are reported.

Business-type Activities



Business-type activities are shown comparing costs to revenues generated by the related services. Sanitation, Sewer, Water, Natural Gas, and Electric activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2022 was \$5,283,859 compared to \$2,153,139 in fiscal year 2021. The General Fund budget complied with financial policies approved by the City and the Oklahoma Municipal Budget Act.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2022, the City had \$7,544,434 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and electric lines, water lines and sewer lines in business-type activities. Refer to the table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Land and CIP	\$ 2,369,782	\$ 5,000	\$ 2,621,004	\$ 1,005,000	\$ 4,990,786	\$ 1,010,000
Buildings	477,223	495,157	65,556	76,251	542,779	571,408
Machinery & equipment	526,363	505,710	752,421	369,449	1,278,784	875,159
Utility property & improvements	2,086,935	2,250,926	6,386,576	9,133,130	8,473,511	11,384,056
Totals	\$ 5,460,303	\$ 3,256,793	\$ 9,825,557	\$ 10,583,830	\$ 15,285,860	\$ 13,840,623

Long-Term Debt

At year-end, the City had \$8,028,544 in noncurrent liabilities. The City's comparative noncurrent liabilities are as follows:

Primary Government Long-Term Debt

	Governmental		Business-type	
	Activities		Activities	
	2021	2021	2021	2021
Notes payable	-	-	\$ 5,811,426	\$ 5,938,726
Bonds payable	-	-	1,930,000	2,260,000
Compensated absences	93,212	79,202	39,189	43,840
Pension liability	592,740	1,391,523	-	-
less current portion	-	-	(438,023)	(512,905)
Totals	\$ 685,952	\$ 1,470,725	\$ 7,342,592	\$ 7,729,661

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

According to the Oklahoma State University, Spears School of Business, *Economic Outlook 2022 Summer Update* "The state and national economies have recovered from the damage wrought by the COVID-19 pandemic. While income and output have long since risen above their pre-pandemic levels, in large part spurred by massive fiscal and monetary stimulus, state and national employment are just now returning to pre-pandemic levels. Yet, although the major economic aggregates have recovered, the economy has not fully returned to pre-pandemic form." The City has continued to be proactive in unknown changes resulting from the pandemic in the upcoming year as well as providing a strong foot forward in the future of this community.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at Tonkawa City Hall, 113 South 7th, Tonkawa, Oklahoma, 74653.

City of Tonkawa, Oklahoma
Statement of Net Position
June 30, 2022

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 743,948	\$ 3,031,524	\$ 3,775,472
Investments	-	99,008	99,008
Accounts receivable (net)	78,990	131,712	210,702
Receivable from other governments	187,932	-	187,932
Total current assets	<u>1,010,870</u>	<u>3,262,244</u>	<u>4,273,114</u>
Restricted assets:			
Cash	3,570,278	5,697,131	9,267,409
Investments	20,000	435,329	455,329
Total restricted assets	<u>3,590,278</u>	<u>6,132,460</u>	<u>9,722,738</u>
Noncurrent Assets:			
Pension assets	1,015,204	-	1,015,204
Other assets	-	71	71
Land and construction in progress	2,369,782	2,621,004	4,990,786
Other capital assets (net of accumulated depreciation)	3,090,521	7,204,553	10,295,074
Total noncurrent assets	<u>6,475,507</u>	<u>9,825,628</u>	<u>16,301,135</u>
Total assets	<u>11,076,655</u>	<u>19,220,332</u>	<u>30,296,987</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on pension obligations	<u>652,397</u>	<u>-</u>	<u>652,397</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 100,901	\$ 49,572	\$ 150,473
Other current liabilities	984	-	984
Payroll liabilities	61,622	19,606	81,228
Notes payable, current	-	103,023	103,023
Total current liabilities	<u>163,507</u>	<u>172,201</u>	<u>335,708</u>
Liabilities payable from restricted assets:			
Accrued interest payable	-	33,413	33,413
Customer deposits payable	-	186,594	186,594
Bonds payable, current	-	335,000	335,000
Total liabilities payable from restricted assets	<u>-</u>	<u>555,007</u>	<u>555,007</u>
Noncurrent liabilities:			
Due to other funds	(142,087)	142,087	-
Compensated absences	93,212	39,189	132,401
Pension liability	592,740	-	592,740
Notes payable, non-current	-	5,708,403	5,708,403
Bonds payable, non-current	-	1,595,000	1,595,000
Bonds payable premium, net of amortization	-	329,066	329,066
Total noncurrent liabilities	<u>543,865</u>	<u>7,813,745</u>	<u>8,357,610</u>
Total liabilities	<u>707,372</u>	<u>8,540,953</u>	<u>9,248,325</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on pension obligations	<u>1,630,849</u>	<u>-</u>	<u>1,630,849</u>
NET POSITION			
Net investment in capital assets	5,460,303	2,084,131	7,544,434
Restricted	3,590,278	5,642,095	9,232,373
Unrestricted	340,250	2,953,153	3,293,403
Total net position	<u>\$ 9,390,831</u>	<u>\$ 10,679,379</u>	<u>\$ 20,070,210</u>

City of Tonkawa, Oklahoma
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 205,968	\$ 83,670	\$ 260,236	\$ -	\$ 137,938
Administration	295,778	-	-	168,760	(127,018)
Total general government	<u>501,746</u>	<u>83,670</u>	<u>260,236</u>	<u>168,760</u>	<u>10,920</u>
Public safety and judiciary:					
Legal and courts	77,562	-	-	-	(77,562)
Code enforcement	25,421	-	-	-	(25,421)
Police	837,884	115,799	3,465	-	(718,620)
Fire	455,017	-	14,261	-	(440,756)
Ambulance	720,493	627,184	5,000	-	(88,309)
Total public safety and judiciary	<u>2,116,377</u>	<u>742,983</u>	<u>22,726</u>	<u>-</u>	<u>(1,350,668)</u>
Transportation:					
Streets	169,783	-	29,138	-	(140,645)
Airport	8,400	-	-	-	(8,400)
Total transportation	<u>178,183</u>	<u>-</u>	<u>29,138</u>	<u>-</u>	<u>(149,045)</u>
Cultural, parks and recreation:					
Parks	295,513	34,784	4,241	-	(256,488)
Library	137,412	-	3,000	-	(134,412)
Total cultural, parks and recreation	<u>432,925</u>	<u>34,784</u>	<u>7,241</u>	<u>-</u>	<u>(390,900)</u>
Total governmental activities	<u>3,229,231</u>	<u>861,437</u>	<u>319,341</u>	<u>168,760</u>	<u>(1,879,693)</u>
Business-type activities:					
Electric	3,430,951	4,877,209	-	-	1,446,258
Water	718,383	709,149	-	-	(9,234)
Sewer	286,413	331,379	-	-	44,966
Sanitation	286,617	388,958	-	-	102,341
Natural gas	151,422	94,087	-	-	(57,335)
Customer service	210,007	72,116	-	-	(137,891)
Economic development	43,149	3,600	13,667	-	(25,882)
Total business-type activities	<u>5,126,942</u>	<u>6,476,498</u>	<u>13,667</u>	<u>-</u>	<u>1,363,223</u>
Total primary government	<u>\$ 8,356,173</u>	<u>\$ 7,337,935</u>	<u>\$ 333,008</u>	<u>\$ 168,760</u>	<u>\$ (516,470)</u>

(Continued)

City of Tonkawa, Oklahoma
Statement of Activities
Year Ended June 30, 2022

Changes in Net Position

(Continued)

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (1,879,693)	\$ 1,363,223	\$ (516,470)
General revenues:			
Taxes:			
Sales taxes	1,897,042	-	1,897,042
Use taxes	244,101	-	244,101
Franchise taxes	31,859	-	31,859
Cigarette taxes	15,055	-	15,055
Alcoholic beverage tax	24,555	-	24,555
Lodging tax	967	-	967
Investment income	12,376	10,426	22,802
Miscellaneous	67,120	276,255	343,375
Change in pension obligation	409,668	-	409,668
Transfers-Internal activity	1,896,514	(1,896,514)	-
Total general revenues and transfers	<u>4,599,257</u>	<u>(1,609,833)</u>	<u>2,989,424</u>
Change in net position	2,719,564	(246,610)	2,472,954
Net position-beginning	6,627,027	11,040,306	17,667,333
Prior period adjustment	44,240	(114,317)	(70,077)
Net position-ending	<u>\$ 9,390,831</u>	<u>\$ 10,679,379</u>	<u>\$ 20,070,210</u>

City of Tonkawa, Oklahoma
Balance Sheet
June 30, 2022

	<u>General Fund</u>	<u>Capital Projects Improvement Fund</u>	<u>Special Revenue Blinn Park Memorial Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,164,400	\$ 2,146,655	\$ 3,171	\$ 4,314,226
Investments	-	-	20,000	20,000
Accounts receivable	65,508	-	-	65,508
Fines receivable, net of allowance	13,482	-	-	13,482
Receivable from other governments	187,932	-	-	187,932
Due from other funds	186,774	-	-	186,774
Total assets	<u>\$ 2,618,096</u>	<u>\$ 2,146,655</u>	<u>\$ 23,171</u>	<u>\$ 4,787,922</u>
LIABILITIES				
Accounts payable	\$ 100,901	\$ -	\$ -	\$ 100,901
Court bonds payable	984	-	-	984
Salaries payable	61,622	-	-	61,622
Due to other funds	44,687	-	-	44,687
Total liabilities	<u>208,194</u>	<u>-</u>	<u>-</u>	<u>208,194</u>
FUND BALANCES				
Restricted	8,816	-	20,000	28,816
Committed	93,474	2,146,655	-	2,240,129
Assigned	1,318,161	-	3,171	1,321,332
Unassigned	989,451	-	-	989,451
Total fund balances	<u>2,409,902</u>	<u>2,146,655</u>	<u>23,171</u>	<u>4,579,728</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,618,096</u>	<u>\$ 2,146,655</u>	<u>\$ 23,171</u>	<u>\$ 4,787,922</u>
Total fund balance - total governmental funds				4,579,728
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds				
			9,133,731	
			<u>(3,673,428)</u>	5,460,303
Long-term liabilities are not due and payable in the current period and are not reported in the funds				
			(93,212)	
			422,464	
			<u>(978,452)</u>	<u>(649,200)</u>
Net position of governmental activities				<u>\$ 9,390,831</u>

City of Tonkawa, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2022

	<u>General Fund</u>	<u>Capital Projects Improvement Fund</u>	<u>Special Revenue Blinn Park Memorial Fund</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
Sales taxes	\$ 1,897,042	\$ -	\$ -	\$ 1,897,042
Use taxes	244,101	-	-	244,101
Franchise taxes	31,859	-	-	31,859
E911 fees	36,965	-	-	36,965
Cigarette tax	15,055	-	-	15,055
Alcoholic Beverage Tax	24,555	-	-	24,555
Licenses and permits	17,150	-	-	17,150
Fines and forfeitures	78,834	-	-	78,834
Investment income	6,163	6,205	8	12,376
Charges for services	663,913	-	-	663,913
Rental income	65,542	-	-	65,542
Intergovernmental	470,895	-	-	470,895
Donations	17,206	-	-	17,206
Miscellaneous	67,121	-	-	67,121
Total revenues	<u>3,636,401</u>	<u>6,205</u>	<u>8</u>	<u>3,642,614</u>
<u>EXPENDITURES</u>				
General government:				
General government	184,625	-	-	184,625
Administration	295,778	-	-	295,778
Total general government	<u>480,403</u>	<u>-</u>	<u>-</u>	<u>480,403</u>
Public safety and judiciary:				
Legal and courts	77,809	-	-	77,809
Code enforcement	25,421	-	-	25,421
Police	791,590	-	-	791,590
Fire	385,368	-	-	385,368
Ambulance	665,800	-	-	665,800
Total public safety and judiciary	<u>1,945,988</u>	<u>-</u>	<u>-</u>	<u>1,945,988</u>
Transportation:				
Street	75,746	-	-	75,746
Airport	8,400	-	-	8,400
Total transportation	<u>84,146</u>	<u>-</u>	<u>-</u>	<u>84,146</u>
Cultural, parks and recreation:				
Parks	194,685	-	-	194,685
Library	138,644	-	-	138,644
Total cultural, parks and recreation	<u>333,329</u>	<u>-</u>	<u>-</u>	<u>333,329</u>
Capital outlay	2,574,866	-	-	2,574,866
Total expenditures	<u>5,418,732</u>	<u>-</u>	<u>-</u>	<u>5,418,732</u>
Excess (deficiency) of revenues over expenditures	<u>(1,782,331)</u>	<u>6,205</u>	<u>8</u>	<u>(1,776,118)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	3,854,830	625,783	-	4,480,613
Transfers out	(1,889,917)	(694,182)	-	(2,584,099)
Total other financing sources and uses	<u>1,964,913</u>	<u>(68,399)</u>	<u>-</u>	<u>1,896,514</u>
Net change in fund balances	182,582	(62,194)	8	120,396
Fund balances - beginning	2,183,080	2,208,849	23,163	4,415,092
Prior period adjustment	44,240	-	-	44,240
Fund balances - ending	<u>\$ 2,409,902</u>	<u>\$ 2,146,655</u>	<u>\$ 23,171</u>	<u>\$ 4,579,728</u>

(Continued)

City of Tonkawa, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
June 30, 2022

(Continued)

Reconciliation of the change in fund balances - total governmental funds
to the change in net position of governmental activities:

Net change in fund balances - total governmental funds \$ 120,396

Amounts reported for governmental activities in the Statement of Activities are
different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital asset purchases capitalized	2,574,866
Depreciation expense	(371,356)

In the statement of activities, the cost of pension benefits earned net of
employee contributions are reported as an component of pension expense.

The fund financial statements report pension contributions as expenditures.	409,668
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Some expenses reported in the statement of activites do not require the use of
current financial resources and are not reported as expenditures in governmental funds.

	Current Year	Prior Year	
Compensated absences	\$ 93,212	\$ 79,202	(14,010)

	\$ 2,719,564
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City of Tonkawa, Oklahoma
Statement of Net Position
June 30, 2022

	Tonkawa Municipal Authority	Tonkawa Development Authority	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,966,953	\$ 64,571	\$ 3,031,524
Investments	99,008	-	99,008
Due from other funds	-	-	-
Accounts receivable (net)	131,712	-	131,712
Total current assets	<u>3,197,673</u>	<u>64,571</u>	<u>3,262,244</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	5,697,131	-	5,697,131
Investments	435,329	-	435,329
Total restricted assets	<u>6,132,460</u>	<u>-</u>	<u>6,132,460</u>
Noncurrent assets:			
Other assets	-	71	71
Capital assets (net)	9,763,764	61,793	9,825,557
Total noncurrent assets	<u>9,763,764</u>	<u>61,864</u>	<u>9,825,628</u>
Total assets	<u>\$ 19,093,897</u>	<u>\$ 126,435</u>	<u>\$ 19,220,332</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 49,572	\$ -	\$ 49,572
Other current liabilities	-	-	-
Payroll liabilities	19,606	-	19,606
Notes payable, current	103,023	-	103,023
Due to other funds	142,087	-	142,087
Total current liabilities	<u>314,288</u>	<u>-</u>	<u>314,288</u>
Liabilities payable from restricted assets:			
Customer deposits payable	186,594	-	186,594
Accrued interest payable	33,413	-	33,413
Bonds payable, current	335,000	-	335,000
Total liabilities payable from restricted assets	<u>555,007</u>	<u>-</u>	<u>555,007</u>
Noncurrent liabilities:			
Compensated absences, non-current	39,189	-	39,189
Notes payable, non-current	5,708,403	-	5,708,403
Bonds payable, noncurrent	1,595,000	-	1,595,000
Bonds payable premium, net of amortization	329,066	-	329,066
Total noncurrent liabilities	<u>7,671,658</u>	<u>-</u>	<u>7,671,658</u>
Total liabilities	<u>8,540,953</u>	<u>-</u>	<u>8,540,953</u>
NET POSITION			
Net investment in capital assets	2,022,338	61,793	2,084,131
Restricted	5,577,453	64,642	5,642,095
Unrestricted	2,953,153	-	2,953,153
Total net position	<u>\$ 10,552,944</u>	<u>\$ 126,435</u>	<u>\$ 10,679,379</u>

City of Tonkawa, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2022

	Tonkawa Municipal Authority	Tonkawa Development Authority	Total Enterprise Funds
<u>Operating revenues:</u>			
Charges for services:			
Electric charges	\$ 4,877,209	\$ -	\$ 4,877,209
Water charges	709,149	-	709,149
Sewer charges	331,379	-	331,379
Sanitation charges	388,958	-	388,958
Natural gas charges	94,087	-	94,087
Penalties	72,116	-	72,116
Total charges for services	<u>6,472,898</u>	<u>-</u>	<u>6,472,898</u>
Lease and rental income	-	3,600	3,600
Donations	-	13,667	13,667
Miscellaneous	249,491	26,763	276,254
Total operating revenues	<u>6,722,389</u>	<u>44,030</u>	<u>6,766,419</u>
<u>Operating expenses:</u>			
Cost of goods sold	2,874,998	-	2,874,998
Personal services	634,857	-	634,857
Materials and supplies	290,130	348	290,478
Other services and charges	520,252	42,630	562,882
Depreciation and amortization	540,431	171	540,602
Total operating expenses	<u>4,860,668</u>	<u>43,149</u>	<u>4,903,817</u>
Net operating income	1,861,721	881	1,862,602
<u>Nonoperating revenue (expense):</u>			
Investment income	10,334	92	10,426
Interest expense	(212,315)	-	(212,315)
Bad debt expense	(10,809)	-	(10,809)
Total nonoperating revenue (expense)	<u>(212,790)</u>	<u>92</u>	<u>(212,698)</u>
Net Income before contributions and transfers	1,648,931	973	1,649,904
Transfers from other funds	1,919,427	-	1,919,427
Transfers to other funds	(3,815,941)	-	(3,815,941)
Change in net position	(247,583)	973	(246,610)
Net position-beginning of year	10,914,844	125,462	11,040,306
Prior period adjustment	(114,317)	-	(114,317)
Net position-end of year	<u>\$ 10,552,944</u>	<u>\$ 126,435</u>	<u>\$ 10,679,379</u>

City of Tonkawa, Oklahoma
Statement of Cash Flows
Year Ended June 30, 2022

	Tonkawa Municipal Authority	Tonkawa Development Authority	Total Enterprise Funds
<u>Cash flows from operating activities:</u>			
Receipts from customers/contracts	\$ 6,502,469	\$ 3,600	\$ 6,506,069
Payments to suppliers	(3,832,985)	(42,978)	(3,875,963)
Payments to employees	(636,500)	-	(636,500)
Other operating revenues	249,491	40,430	289,921
Net cash provided (used) by operating activities	2,282,475	1,052	2,283,527
<u>Cash flows from non-capital financing activities:</u>			
Transfers from other funds	1,919,427	-	1,919,427
Transfers to other funds	(3,815,941)	-	(3,815,941)
Net cash provided (used) by non-capital financing activities	(1,896,514)	-	(1,896,514)
<u>Cash flows from capital and related financing activities:</u>			
Purchase of capital assets	(1,003,197)	-	(1,003,197)
Principal paid on debt	(514,264)	-	(514,264)
Disposal of capital assets	1,209,713	-	1,209,713
Issuance of debt	-	-	-
Interest and fiscal charges paid on debt	(179,744)	-	(179,744)
Net cash provided (used) by capital and related financing activities	(487,492)	-	(487,492)
<u>Cash flows from investing activities:</u>			
(Purchase)/liquidation of investments, unrestricted	(91,876)	92	(91,784)
Net cash provided (used) by investing activities	(91,876)	92	(91,784)
Net increase (decrease) in cash and cash equivalents	(193,407)	1,144	(192,263)
Cash and cash equivalents, beginning of the year	8,857,491	63,427	8,920,918
Cash & cash equivalents, end of the year	\$ 8,664,084	\$ 64,571	\$ 8,728,655
Cash, including time deposits	\$ 2,966,953	\$ 64,571	\$ 3,031,524
Restricted cash, including time deposits	5,697,131	-	5,697,131
Total cash and cash equivalents, end of year	\$ 8,664,084	\$ 64,571	\$ 8,728,655
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>			
Operating income (loss)	\$ 1,861,721	\$ 881	\$ 1,862,602
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	540,431	171	540,602
Bad debt	10,809	-	10,809
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(43,490)	-	(43,490)
(Increase) decrease in other assets	62,252	-	62,252
Increase (decrease) in accounts payable	(140,163)	-	(140,163)
Increase (decrease) in other liabilities	(7,442)	-	(7,442)
Increase (decrease) in compensated absences	(1,643)	-	(1,643)
Total adjustments	420,754	171	420,925
Net cash provided (used) by operating activities	\$ 2,282,475	\$ 1,052	\$ 2,283,527

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the City of Tonkawa, Oklahoma ("City") are discussed in subsequent section of this note. The remainder of the notes is organized to provide explanations, including required disclosures of the City's financial activities for the fiscal year ended June 30, 2022.

A. Reporting Entity

Fund Types and Major Funds

Major Governmental Funds

General Fund

Reported as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Non-Major Governmental Funds

Capital Improvement Fund

Accounts for the capital expenditures of the 1% limited purpose sales tax. Two-thirds of the tax is restricted for use for water, sewer, sanitation, and drainage. One-third of the tax is restricted for debt payments on the pool bond issue.

Blinn Park Fund

Established as a special revenue fund to account for operations at the City's Blinn Park.

Major Proprietary Funds

Tonkawa Municipal Authority

Accounts for the operating activities of the electric, water, sewer, and sanitation utilities of the City.

Tonkawa Development Authority

Accounts for the operating activities of the economic development of the City.

B. Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the City as a whole. The statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns.

Measurement Focus and Basis of Accounting

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Proprietary financial statements and financial statements of the City's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

C. Budget Policy and Practice

Budget Approval

The City Clerk submits an annual budget to the City Council in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Council for review, and public hearings are held to address priorities and the allocation of resources. In June, the Council adopts the annual fiscal year budgets for City operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the City Clerk and must be approved by the Council. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Council review and approval process.

Basis of Budgeting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year.

D. Policies Related to Assets, Liabilities, and Fund Equity

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

Accounts Receivable

Significant receivables include sales and use tax receivables and amount due from customers primarily for utility services. These receivables are due within one year. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days.

Restricted Assets

Restricted assets include assets legally restricted for capital projects funded through long-term debt, debt service revenues, and customer meter deposits. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Interfund Balances

Generally, outstanding balances between funds reported as due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalized assets with cost in excess of \$5,000.

The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

- | | |
|------------------------------------|-------------|
| • Buildings | 10-25 years |
| • Other improvements | 10-25 years |
| • Machinery, furniture & equipment | 3-25 years |
| • Infrastructure | 10-20 years |

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time employees to specified maximums. Generally, after one year of services, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued long-term liabilities in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

Fund Equity

Fund Balance

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

Net Position

Both proprietary fund financial statements and government-wide financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net position.

Invested in capital assets, net of related debt

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position

Amounts reported as restricted consist of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position

This consists of net position that does not meeting the criteria of "restricted" or "invested in capital assets, net of related debt".

Governmental Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

Nonspendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Commission, the City's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

E. Policies Related to Revenues and Expenses

Program Revenues

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

General Revenues

General revenues reported with governmental activities include tax revenues and unrestricted investment income.

Sales Tax

The City levied a 4.5% sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. A portion of the sales tax received is restricted as to the use. The unrestricted portion (3%) is recorded as sales tax revenue within the General Fund; the remaining 1.5% is restricted and transferred to the Capital Improvement fund, allocated 1% for water, sewer, sanitation, and drainage improvements and 0.5% for debt service on the 2016 bond issue.

(2) ASSETS AND LIABILITIES

A. Assets

Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Investments

The City invests primarily in certificates of deposit. Investment securities are exposed to various risks such as interest rate risk and credit risk.

Receivables and Uncollectable Amounts

Significant receivables for governmental activities include sales and use tax receivables and ambulance receivables. Based Business-type receivables consist mainly of amount due from customers primarily for utility services. The City reports accounts receivable net of an allowance for uncollectible accounts. The allowance amount is estimated using balances past due greater than 60 days. At June 30, 2022, the City has estimated an allowance of \$94,344 and \$415,316 for governmental and business-type activities, respectively.

Capital Assets

Changes in Capital Assets

	Primary Government			
	Balance at July 1, 2021	Additions	Deletions	
<u>Governmental Activities</u>				
Construction in process	\$ 69,575	\$2,300,207	\$ -	\$ 2,369,782
Buildings & structures	729,245	-	-	729,245
Machinery, furniture, & equipment	2,221,603	208,440	-	2,430,043
Infrastructure & improvements	3,538,442	66,219	-	3,604,661
Total	6,558,865	2,574,866	-	9,133,731
Less accumulated depreciation	3,302,072	371,356	-	3,673,428
Governmental fixed assets, net	\$ 3,256,793	\$2,203,510	\$ -	\$ 5,460,303
<u>Business-type Activities</u>				
Land	\$ 1,779,553	\$ -	\$ -	\$ 1,779,553
Construction in process	1,416,799	634,365	1,209,713	841,451
Buildings & structures	176,588	-	-	176,588
Machinery, furniture, & equipment	962,081	353,832	-	1,315,913
Infrastructure & improvements	11,053,420	15,000	-	11,068,420
Total	15,388,441	1,003,197	1,209,713	15,181,925
Less accumulated depreciation	4,804,611	551,757	-	5,356,368
Business-type fixed assets, net	\$ 10,583,830	\$ 451,440	\$(1,209,713)	\$ 9,825,557
Total primary government	\$ 13,840,623	\$2,654,950	\$(1,209,713)	\$ 15,285,860

CITY OF TONKAWA, OKLAHOMA
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Depreciation Expense

Primary Government			
Governmental Activities		Business-type Activities	
General government	\$ 21,338	Electric	\$ 118,588
Public safety & judiciary	154,132	Water	233,153
Transportation	94,037	Sewer	144,361
Cultural, parks & recreation	101,849	Gas	886
		Customer service	54,598
		Economic development	171
Total depreciation expense	\$ 371,356	Total depreciation expense	\$ 551,757

B. Liabilities

Notes and Bonds Payable

Business-Type Activities

Notes Payable:

\$530,000 Tonkawa Municipal Authority, Kay County, Oklahoma, Series 2002 Small Community Clear Water SRF promissory note to the Oklahoma Water Resources Board, loan number ORF-02-0008, dated June 7, 2002, due in semi-annual installments over 20 years plus interest of 2.5% and an administrative fee of 0.5%, on March 15 and September 15. Note was used to fund sewer system improvements and secured by pledged sales tax and utility system revenues. \$5,161

\$1,070,000 Tonkawa Municipal Authority, Kay County, Oklahoma, Series 2002A Small Community Clear Water SRF promissory note to the Oklahoma Water Resources Board, loan number ORF-97-007CW, dated November 14, 2002, due in semi-annual installments over 20 years plus interest of 2.2% plus 0.5% admin fee, on March 15 and September 15. Note was used to fund expansion and improvement of the sanitary sewer system. Loan is secured by pledged sales tax and utility system revenues. 96,332

\$1,440,000 Tonkawa Municipal Authority, Kay County, Oklahoma, Series 2002B Small Community Clear Water SRF promissory note to the Oklahoma Water Resources Board, loan number ORF-97-003DW, dated November 14, 2002, due in semi-annual installments over 20 years plus interest of 2.2% plus 0.5% admin fee, on March 15 and September 15. Note was used to fund expansion and improvement of the clean water system. Loan is secured by pledged sales tax and utility system revenues. 37,969

\$5,615,000 Tonkawa Municipal Authority, Kay County, Oklahoma, Series 2021 Promissory note to the Oklahoma Water Resources Board, dated June 15, 2021, due in semi-annual installments over 40 years plus interest of 4.2%. Proceeds were used to finance certain water system improvements. Loan is secured by pledged water, sewer, and electric systems and further secured by a sales tax. 5,615,000

\$ 5,754,462

Bonds Payable:

In August 2016, TMA issued \$3,435,000 in revenue bonds, Series 2016 for the purpose of capital improvements including a new water tower, automated meter reading system, drainage improvements and gas line installation. The notes mature July 1, 2027 and carry an interest rate of 1.99% per annum. The notes require monthly payments into a debt service account from which semi-annual debt service payments are made. The Note is secured by electric, water, and sewer revenues (the "system") and 1% restricted sales tax revenues. 1,930,000

\$ 1,930,000

CITY OF TONKAWA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Changes in Long-Term Debt

	<u>Balance at July 1, 2021</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2022</u>	<u>Due Within One Year</u>
Business-type activities					
Notes payable					
OWRB 2002	\$ 40,052	\$ -	\$ 34,891	\$ 5,161	\$ 5,161
OWRB 2002A	158,405	-	62,073	96,332	59,893
OWRB 2002B	125,269	-	87,300	37,969	37,969
OWRB FAP-21	5,615,000	-	-	5,615,000	-
Total notes payable	<u>5,938,726</u>	<u>-</u>	<u>184,264</u>	<u>5,754,462</u>	<u>103,023</u>
Bonds payable					
Series 2016	2,260,000	-	330,000	1,930,000	335,000
Total bonds payable	<u>2,260,000</u>	<u>-</u>	<u>330,000</u>	<u>1,930,000</u>	<u>335,000</u>
Total business-type activities	<u>\$ 8,198,726</u>	<u>\$ -</u>	<u>\$ 514,264</u>	<u>\$ 7,684,462</u>	<u>\$ 438,023</u>
Total primary government	<u>\$ 8,198,726</u>	<u>\$ -</u>	<u>\$ 514,264</u>	<u>\$ 7,684,462</u>	<u>\$ 438,023</u>

Annual Debt Service Requirements

Year Ending June 30	Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2023	\$ 103,023	\$ 168,056	\$ 335,000	\$ 36,765
2024	36,439	165,874	340,000	30,049
2025	-	165,705	350,000	23,233
2026	10,000	165,495	355,000	16,268
2027	10,000	164,655	365,000	9,154
2028-2032	665,000	768,780	185,000	1,841
2033-2037	985,000	584,820	-	-
2038-2042	1,170,000	414,575	-	-
2043-2047	1,305,000	290,664	-	-
2048-2051	1,470,000	96,563	-	-
Totals	<u>\$ 5,754,462</u>	<u>\$ 2,985,187</u>	<u>\$ 1,930,000</u>	<u>\$ 117,310</u>

(3) REVENUES AND EXPENSES

Interfund Transfers

	Due From	Due To
GENERAL FUND		
Tonkawa Municipal Authority	\$ 44,687	\$ 110,774
Total General Fund	44,687	110,774
TONKAWA MUNICIPAL AUTHORITY		
General Fund	110,774	44,687
Total Tonkawa Municipal Authority	110,774	44,687
GRAND TOTAL	\$ 155,461	\$ 155,461

	Transfers In	Transfers Out
GENERAL FUND		
Capital Improvement Fund	\$ -	\$ -
Tonkawa Municipal Authority	3,815,941	1,919,427
Total General Fund	3,815,941	1,919,427
CAPITAL IMPROVEMENT FUND		
General Fund	-	-
Tonkawa Municipal Authority	-	-
Total Capital Improvement Fund	-	-
TONKAWA MUNICIPAL AUTHORITY		
General Fund	1,919,427	3,815,941
Capital Improvement Fund	-	-
Total Tonkawa Municipal Authority	1,919,427	3,815,941
GRAND TOTAL	\$ 5,735,368	\$ 5,735,368

(4) PENSION AND POST-EMPLOYMENT PLANS

The City participates in three employee pension systems as follows:

Name of Plan	Type of Plan
Oklahoma Municipal Retirement Fund	Agent Multiple Employer – Defined Contribution Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighter Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

A summary of the impact follows:

	Governmental Activities
Pension Expense	
Employee Retirement System	\$ (77,337)
Police	38,341
Firefighters	51,389
	\$ 12,393
 Net Pension Liability (Asset)	
Employee Retirement System	\$ (632,185)
Police	(383,019)
Firefighters	592,740
	\$ (422,464)
 Deferred Outflows of Resources	
Employee Retirement System	\$ 180,722
Police	148,168
Firefighters	323,507
	\$ 652,397
 Deferred Inflows of Resources	
Employee Retirement System	\$ 689,571
Police	388,230
Firefighters	553,048
	\$ 1,630,849

A. Oklahoma Municipal Retirement Fund

Plan Description

Substantially all of the City's regular, full time employees, with the exception of police officers and firefighters, participate in a defined contribution plan administered by the Oklahoma Municipal Retirement System (OMRF), a statewide fund established to administer pension plans for municipal employees. The defined contribution plan is funded through contributions as elected by each municipality. Participants are required to participate 3.5% of their covered compensation. The City contributed 9.66% of covered compensation for fiscal year 2022. Participants are permitted to make voluntary deductible contributions to the plan. OMRF issues a publicly available financial report that can be obtained at www.okmrf.org.

The funds are credited to individual participant accounts and pooled for investment purposes through OMRF. All gains and/or losses are credited directly to each participant. Benefits vest after 10 years of service with normal retirement at age 65 and early retirement at age 55 with 10 years or more of service. Upon retirement, termination of employment, disability, or death, the vested portion of a participant's account is paid to the participant or beneficiary. This amount is based on an accumulation of employee and employer contributions, forfeitures, if applicable, and earnings or losses.

Benefits Provided

OMRF provides retirement, disability, and death benefits. Retirement benefits are determined as 3 percent of the employee's final average compensation multiplied by the employee's years of service; final average compensation is the average of the 5 highest consecutive years of salaries out of the last 10 years of service. Vesting requires 7 years of service. Members are eligible for normal retirement at age 65 with 7 years of vested service. The benefit is payable immediately. Early retirement is available after age 55 with 7 years of vested service. Early retirement benefits are paid at the normal retirement age, or reduced 5% per year for commencement prior to the normal retirement age.

Disability retirement is provided for member's total and permanent disability after 7 or more years of service. The accrued benefit is payable upon disablement without reduction for early payment.

In-service death benefits are payable after vesting at 50% of the accrued benefit until the death of the spouse or remarriage. If the member was not vested at the time of in-service death, member contributions are returned, if any, with interest.

CITY OF TONKAWA, OKLAHOMA
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OMRF

At June 30, 2022, the City reported an asset of \$632,185 for its proportionate share of the net pension liability/(asset). The net pension net pension liability was measured as of July 1, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined.

Changes to the actuarial valuation between the measurement date of the net pension liability and the City's reporting dates are not expected to have a significant effect on the net pension liability.

For the year ended June 30, 2022, the City recognized pension expense of \$(77,337). At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,248	\$ 241,050
Changes of assumptions	25,533	-
Net difference between projected and actual earnings on pension plan investments	62,434	448,521
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	84,507	-
Total	\$ 180,722	\$ 689,571

Other amounts reported deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ 139,894
2024	150,074
2025	157,368
2026	146,020
2027	-

Actuarial assumptions: The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 percent
Salary increases	5.07 percent, average
Investment rate of return	7.75 percent, net of pension plan investment expense and inflation

Mortality rates were based on the UP 1994 with projected mortality improvement. Valuation rates are projected for mortality improvement by the Society of Actuaries' table AA based upon the employee's year of birth.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period ended July 1, 2007 through June 30, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2021 are summarized in the following table:

CITY OF TONKAWA, OKLAHOMA
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	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks - S&P 500	25%	5.40%	1.35%
Small/mid cap stocks - Russell 2500	10%	7.50%	0.75%
Long/short equity - MSCI ACWI	10%	6.10%	0.61%
International stocks - MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds - Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate - NCREIF	5%	4.80%	0.24%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
	<u>100%</u>		
		Average Real Return	4.75%
		Inflation	<u>3.00%</u>
		Long term expected return	<u><u>7.75%</u></u>

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent, as the plan's net fiduciary position is projected to be sufficient to make projected benefit payments. The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of the member's working career. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Therefore, no separate cash flow projection is required to determine the sufficiency of the plan assets. The 20 year tax free bond yield of 3.29% was used in the analysis.

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at June 30, 2020	\$ 2,949,405	\$ 2,792,168	\$ 157,237
Changes for the year:			
Service cost	93,811	-	93,811
Interest	215,146	-	215,146
Differences between expected and actual experience	(212,259)	-	(212,259)
Assumption changes	-		-
Contributions - employer	-	90,634	(90,634)
Contributions - employee	-	32,838	(32,838)
Net investment income	-	768,341	(768,341)
Benefit payments, including refunds of employee contributions	(164,550)	(164,550)	-
Administrative expense	-	(5,693)	5,693
Other changes	-	-	-
Net changes	(67,852)	721,570	(789,422)
Balances at June 30, 2021	\$ 2,881,553	\$ 3,513,738	\$ (632,185)

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability/(asset)	\$ (247,681)	\$ (632,185)	\$ (944,747)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued OMRF financial report.

B. Oklahoma Police Pension and Retirement System

Plan description – The City of Tonkawa, as the employer, participates in the Oklahoma Police Pension and Retirement Plan – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS.

Benefits provided – OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered. Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions – The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$43,131.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City reported an asset of \$383,019 for its proportionate share of the net pension liability/(asset). The net pension asset was measured as of July 1, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2021. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2021. Based upon this information, the City's proportion was 0.0798%.

For the year ended June 30, 2022, the City recognized pension expense of \$(38,341). At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 5,499	\$ 15,118
Changes of assumptions	5,824	-
Net difference between projected and actual earnings on pension plan investments	93,713	373,112
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	43,131	-
Total	\$ 148,167	\$ 388,230

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Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2022	\$	(20,738)
2023		(55,969)
2024		(70,784)
2025		(93,063)
2026		491

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.
	Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational Improvement using scale AA.
	Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the following table:

Long-Term Expected Asset Class	Real Rate of Return
Fixed income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real Estate	5.50%
Private Equity	5.96%
Other assets	3.08%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

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	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	(143,644)	(383,019)	(585,429)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPPRS; which can be located at www.ok.gov/OPPRS.

C. Oklahoma Firefighters Pension and Retirement System

Plan Description – The City of Tonkawa, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

Benefits provided – FPRS provides retirement, disability and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$32,301 (fiscal year contributions).

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City reported a liability of \$592,740 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2021. Based upon this information the City's proportion was 0.090005%.

For the year ended June 30, 2022, the City recognized pension expense of \$55,389. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF TONKAWA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 214,973	\$ 10,410
Changes of assumptions	-	13,147
Net difference between projected and actual earnings on pension plan investments	58,289	529,492
Changes in proportion and differences between City contributions and proportionate share of contributions	50,245	-
City contributions subsequent to the measurement date	32,301	-
Total	\$ 355,808	\$ 553,049

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ (43,758)
2023	(55,495)
2024	(68,890)
2025	(61,399)
2026	-

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real Estate	10%	7.76%
Other assets	13%	6.88%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF TONKAWA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	926,237	592,740	313,485

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at www.ok.gov/fprs.

(5) COMMITMENTS AND CONTINGENCIES

A. Litigation

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

B. Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

(6) PRIOR PERIOD ADJUSTMENT

The financial statements reflect a prior period adjustment for liabilities incurred in prior year but not reported. The total adjustment is \$44,240 and \$114,317 in governmental funds and business type funds, respectively.

City of Tonkawa, Oklahoma
General Fund
Year Ended June 30, 2022
Budget and Actual (Non-GAAP Budgetary Basis)

	<u>Original Budget</u>	<u>Revisions</u>	<u>Approved Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Tax revenue	\$ 1,406,205	\$ 400,000	\$ 1,420,965	\$ 2,180,753	\$ 759,788
Franchise taxes	24,000	-	30,000	31,859	1,859
Licenses and permits	9,000	8,500	3,700	17,150	13,450
Fines and forfeitures	60,500	40,000	37,000	115,799	78,799
Charges for services	243,000	100,000	192,500	663,913	471,413
Rental income	24,000	40,831	24,000	65,542	41,542
Intergovernmental	431,000	286,236	302,071	470,895	168,824
Interest income	-	-	88,680	6,163	(82,517)
Miscellaneous	45,000	-	54,975	84,327	29,352
Total revenues	<u>2,242,705</u>	<u>875,567</u>	<u>2,153,891</u>	<u>3,636,401</u>	<u>1,482,510</u>
EXPENDITURES					
Current:					
General government:					
General government	289,213	198,400	487,613	483,803	3,810
Total general government	<u>289,213</u>	<u>198,400</u>	<u>487,613</u>	<u>483,803</u>	<u>3,810</u>
Public safety and judiciary:					
Legal and courts	90,934	-	90,934	77,809	13,125
Code enforcement	26,000	-	26,000	25,421	579
Police	985,311	(127,600)	857,711	823,224	34,487
Fire	439,641	4,416	444,057	389,784	54,273
Ambulance	468,124	(40,000)	428,124	367,220	60,904
Total public safety and judiciary	<u>2,010,010</u>	<u>(163,184)</u>	<u>1,846,826</u>	<u>1,683,458</u>	<u>163,368</u>
Transportation:					
Street	297,069	8,000	305,069	304,670	399
Airport	11,300	-	11,300	8,400	2,900
Total transportation	<u>308,369</u>	<u>8,000</u>	<u>316,369</u>	<u>313,070</u>	<u>3,299</u>
Cultural, parks and recreation:					
Parks	2,471,048	32,000	2,503,048	2,501,177	1,871
Library	155,219	-	155,219	138,644	16,575
Pride	50,000	-	50,000	-	50,000
Total cultural, parks and recreation	<u>2,676,267</u>	<u>32,000</u>	<u>2,708,267</u>	<u>2,639,821</u>	<u>68,446</u>
Total expenditures	<u>5,283,859</u>	<u>75,216</u>	<u>5,359,075</u>	<u>5,120,152</u>	<u>238,923</u>
Revenue over (under) expenditures	(3,041,154)	800,351	(3,205,184)	(1,483,751)	1,243,587
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	2,950,900	-	(49,280)	1,964,913	2,014,193
Net other financing sources (uses)	<u>2,950,900</u>	<u>-</u>	<u>(49,280)</u>	<u>1,964,913</u>	<u>2,014,193</u>
Revenues and other financing sources over (under) expenditures and other uses	<u>\$ (90,254)</u>	<u>\$ 800,351</u>	<u>\$ (3,254,464)</u>	481,162	3,257,780
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>2,514,659</u>	<u>2,514,659</u>
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 2,995,821	<u>\$ 5,772,439</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and expenditure accruals				(585,919)	
Fund balance at end of year (GAAP basis)				<u>\$ 2,409,902</u>	

Schedules of Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Police Pension Retirement Plan
 Year Ended June 30, 2022

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>
City's portion of the net pension liability (asset)	0.0868%	0.0962%	0.0886%	0.0819%	0.0781%	0.0758%	0.0812%	0.0798%
City's proportionate share of the net pension liability (asset)	\$ (29,235)	\$ 3,923	\$ 135,744	\$ 6,298	\$ (37,198)	\$ (4,839)	\$ 93,227	\$ (383,019)
City's covered-employee payroll	\$ 328,403	\$ 298,859	\$ 319,156	\$ 285,521	\$ 307,064	\$ 341,884	\$ 289,425	\$ 282,132
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-9%	1%	43%	2%	-12%	-1%	32%	-136%
Plan fiduciary net position as a percentage of the total pension liability	112.16%	100.00%	99.91%	100.00%	100.02%	100.00%	99.94%	100.25%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Police Pension Retirement Plan

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>
Contractually required contribution	\$ 31,579	\$ 35,355	\$ 33,982	\$ 29,721	\$ 32,150	\$ 35,383	\$ 35,919	\$ 43,131
Contributions in relation to the contractually required contribution	<u>(31,579)</u>	<u>(35,355)</u>	<u>(33,982)</u>	<u>(29,721)</u>	<u>(32,150)</u>	<u>(35,383)</u>	<u>(35,919)</u>	<u>(43,131)</u>
Contribution deficiency (excess)	<u>\$ -</u>							
City's covered-employee payroll	\$ 328,403	\$ 298,859	\$ 319,156	\$ 285,521	\$ 307,064	\$ 341,884	\$ 289,425	\$ 282,132
Contributions as a percentage of covered-employee payroll	9.62%	11.83%	10.65%	10.41%	10.47%	10.35%	12.41%	15.29%

Schedules of Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Fire Pension Retirement Plan
 Year Ended June 30, 2022

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>
City's portion of the net pension liability (asset)	0.1093%	0.1054%	0.1056%	0.1544%	0.1032%	0.1062%	0.0926%	0.0900%
City's proportionate share of the net pension liability (asset)	\$ 1,123,963	\$ 1,119,195	\$ 1,290,709	\$ 1,326,128	\$ 1,162,130	\$ 1,121,751	\$ 1,141,059	\$ 592,740
City's covered-employee payroll	\$ 209,076	\$ 159,995	\$ 189,886	\$ 160,409	\$ 182,601	\$ 182,602	\$ 181,913	\$ 132,193
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	538%	700%	680%	827%	636%	614%	627%	448%
Plan fiduciary net position as a percentage of the total pension liability	99.13%	99.13%	99.89%	99.89%	99.90%	99.91%	99.91%	99.95%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Fire Pension Retirement Plan

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>
Contractually required contribution	\$ 40,850	\$ 40,334	\$ 41,372	\$ 42,268	\$ 45,300	\$ 39,443	\$ 40,274	\$ 32,301
Contributions in relation to the contractually required contribution	<u>(40,850)</u>	<u>(40,334)</u>	<u>(41,372)</u>	<u>(42,268)</u>	<u>(45,300)</u>	<u>(39,443)</u>	<u>(40,274)</u>	<u>(32,301)</u>
Contribution deficiency (excess)	<u>\$ -</u>							
City's covered-employee payroll	\$ 209,076	\$ 159,995	\$ 189,886	\$ 160,409	\$ 182,601	\$ 182,602	\$ 181,913	\$ 132,193
Contributions as a percentage of covered-employee payroll	19.54%	25.21%	21.79%	26.35%	24.81%	21.60%	22.14%	24.43%

Schedules of Required Supplementary Information

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
Oklahoma Municipal Retirement Plan
SINCE INITIAL APPLICATION

	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022*
Total pension liability								
Service cost	\$ 81,507	\$ 94,903	\$ 78,252	\$ 82,667	\$ 78,133	\$ 83,282	\$ 90,950	\$ 93,811
Interest	186,931	186,098	184,849	191,754	193,284	203,666	212,423	215,146
Changes in benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(92,708)	29,945	(29,950)	69,346	(45,966)	(94,805)	(212,259)
Changes in assumptions	-	-	-	59,022	-	71,129	-	-
Benefit payments, including refunds of employee contributions	(188,518)	(207,173)	(201,547)	(206,431)	(194,486)	(210,456)	(179,696)	(164,550)
Net change in total pension liability	\$ 79,920	\$ (18,880)	\$ 91,499	\$ 97,062	\$ 146,277	\$ 101,655	\$ 28,872	\$ (67,852)
Total pension liability - beginning	2,423,000	2,502,920	2,484,040	2,575,539	2,672,601	2,818,878	2,920,533	2,949,405
Total pension liability - ending (a)	<u>\$ 2,502,920</u>	<u>\$ 2,484,040</u>	<u>\$ 2,575,539</u>	<u>\$ 2,672,601</u>	<u>\$ 2,818,878</u>	<u>\$ 2,920,533</u>	<u>\$ 2,949,405</u>	<u>\$ 2,881,553</u>
Plan fiduciary net position								
Contributions - employer	82,471	80,800	67,695	60,568	63,503	69,288	82,677	90,634
Contributions - employee	29,666	30,706	27,908	27,603	27,888	28,836	30,460	32,838
Net investment income	368,247	70,258	20,220	293,411	190,589	179,289	112,169	768,341
Benefit payments, including refunds of employee contributions	(188,518)	(207,173)	(201,547)	(206,431)	(194,486)	(210,456)	(179,696)	(164,550)
Administrative expense	(5,438)	(5,260)	(4,924)	(5,162)	(5,325)	(5,442)	(5,649)	(5,693)
Other	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	286,428	(30,669)	(90,648)	169,989	82,169	61,515	39,961	721,570
Plan fiduciary net position - beginning	2,273,423	2,559,851	2,529,182	2,438,534	2,608,523	2,690,692	2,752,207	2,792,168
Plan fiduciary net position - ending (b)	<u>\$ 2,559,851</u>	<u>\$ 2,529,182</u>	<u>\$ 2,438,534</u>	<u>\$ 2,608,523</u>	<u>\$ 2,690,692</u>	<u>\$ 2,752,207</u>	<u>\$ 2,792,168</u>	<u>\$ 3,513,738</u>
City's net pension liability - ending (a) - (b)	<u>\$ (56,931)</u>	<u>\$ (45,142)</u>	<u>\$ 137,005</u>	<u>\$ 64,078</u>	<u>\$ 128,186</u>	<u>\$ 168,326</u>	<u>\$ 157,237</u>	<u>\$ (632,185)</u>
Plan fiduciary net position as a percentage of the total pension liability	102.27%	101.82%	94.68%	97.60%	95.45%	94.24%	94.24%	121.94%
Covered-employee payroll	\$ 879,822	\$ 712,740	\$ 761,280	\$ 720,355	\$ 752,278	\$ 834,853	\$ 883,174	\$ 777,884
City's net pension liability as a percentage of covered-employee payroll	-6.47%	-6.33%	18.00%	8.90%	17.04%	20.16%	17.80%	-81.27%

Schedules of Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Municipal Retirement Plan
 Year Ended June 30, 2020

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>
City's portion of the net pension liability (asset)	0.5393%	0.5177%	0.4992%	0.4809%	0.4713%	0.4821%	0.4891%	0.6155%
City's proportionate share of the net pension liability (asset)	\$ (56,933)	\$ (45,142)	\$ 137,005	\$ 64,078	\$ 128,186	\$ 168,326	\$ 157,237	\$ (632,185)
City's covered-employee payroll	\$ 879,822	\$ 712,740	\$ 761,280	\$ 720,355	\$ 752,278	\$ 834,853	\$ 883,174	\$ 777,884
City's proportionate share of the net pension liability (asset) as a percentage of its covered-e	-6.47%	-6.33%	18.00%	8.90%	17.04%	20.16%	17.80%	-81.27%
Plan fiduciary net position as a percentage of the total pension liability	106.69%	101.78%	94.38%	97.54%	95.24%	93.88%	94.37%	117.99%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Municipal Retirement Plan

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>
Actuarially determined contribution	\$ 82,471	\$ 80,800	\$ 67,695	\$ 60,568	\$ 63,503	\$ 69,288	\$ 97,359	\$ 84,507
Contributions in relation to the actuarially determined contribution	<u>(82,471)</u>	<u>(80,800)</u>	<u>(67,695)</u>	<u>(60,568)</u>	<u>(63,503)</u>	<u>(69,288)</u>	<u>(97,359)</u>	<u>(84,507)</u>
Contribution deficiency (excess)	<u>\$ -</u>							
City's covered-employee payroll	\$ 879,822	\$ 712,740	\$ 761,280	\$ 720,355	\$ 752,278	\$ 834,853	\$ 883,174	\$ 777,884
Contributions as a percentage of covered-employee payroll	9.37%	11.34%	8.89%	8.41%	8.44%	8.30%	11.02%	10.86%

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of Tonkawa, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Tonkawa, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Tonkawa, Oklahoma's basic financial statements, and have issued our report thereon dated December 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Tonkawa, Oklahoma's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Tonkawa, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Tonkawa, Oklahoma's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

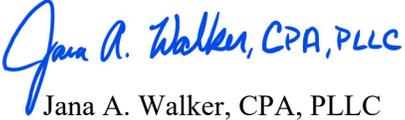
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Tonkawa, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
December 29, 2022